

The Workforce Investment Act of 1998 (WIA) provides workforce investment services and activities through statewide and local One-Stop Career Center systems that have at their core the goals of enhanced employment, retention, and earnings of individuals; increased occupational skills attainment; and improved national economic growth through better productivity and competitiveness. The authorization of WIA expires on September 30, 2003.


WIA reauthorization is an opportunity to strengthen and build upon the innovations that many states and local communities

have developed to serve businesses and individuals with workforce needs. This proposal will continue to transform and integrate the One-Stop Career Center delivery system into a coherent workforce investment system that can respond quickly and effectively to the changing needs of business and the new economy; build on and improve what works; identify barriers and fix what doesn't work; and partner and connect with the private sector and with post-secondary education and training, social services, and economic development systems to prepare the 21st century workforce for career opportunities and skills in high growth sectors.

Governance

The role of the State Workforce Investment Board (State Board) should be strengthened through reauthorization, and the membership requirements streamlined. Board members representing the state's One-Stop partners would have an increased voice and authority to formulate policies and priorities governing the One-Stop Career Center system, with a business majority no longer required. Such policies would include the development of minimum service delivery standards, comprehensive outreach strategies, and economic development strategies, resulting in increased support for, and partner usage of, the system. It would also create a more global approach to addressing workforce needs in a community. Governors would have the authority to add additional members, such as business representatives, and the Board Chair would continue to be from the private sector.

WIA reauthorization should reconfigure the membership and functions of Local Workforce Investment Boards (Local Boards). New statutory language would ensure that Board members represent the leading industry sectors as well as the geographic areas within the local community. One-Stop partner officials would retain involvement in the local system through the local One-Stop memorandum of understanding process, but would be removed as required members of the Local Board. The Board Chair could appoint a management council of One-Stop partners. This would streamline membership of the Local Board and provide an increased voice for business representatives, community groups and worker advocates; therefore, enabling Boards to be more responsive to local needs. In addition, the functions of the Local Boards would be further focused on



strategic planning and policy development activities.

Under reauthorization, Youth Councils should no longer be required; however, Governors and chief elected officials should retain the authority to create or continue Youth Councils if it is believed that Youth Councils add value in their states or local areas. Governors and local elected officials

would be allowed to define the Youth Councils' function and purpose.

In order to achieve greater strategic implementation and opportunities for continuous improvements, under reauthorization, the planning cycle and submission of state and local plans should be reduced from five years to two years.

One-Stop Career Center System

WIA reauthorization should create a new way to fund the cost of the One-Stop system. One-Stop infrastructure funding would alleviate a great deal of the current local negotiation issues and allow local areas to focus on what is most important — meeting the needs of businesses and workers.

As part of reauthorization, local One-Stop Career Centers would be encouraged to provide a wide-range of services for low-wage workers that would enhance career advancement opportunities through the One-Stop system. Better linkages to financial work supports and retention and advancement services in a One-Stop setting would address the needs of both employers and members of the country's large low-wage workforce. These supports and

services are currently funded by a variety of One-Stop partners and should be more readily available through the One-Stop system.

WIA reauthorization should remove barriers to serving targeted populations, such as individuals with disabilities, migrant and seasonal farmworkers, and older workers, through a comprehensive One-Stop system. By eliminating such barriers, the system would become more dynamic and flexible while maintaining a universal access focus. For example, changes would be made to the current performance accountability system through the use of performance measure bonus points or incentives in order to ensure that local program operators are not driven away from serving those most in need.

Comprehensive Services for Adults

This reauthorization proposal combines the WIA Adult, WIA Dislocated Worker and Wagner-Peyser funding streams into a single formula program resulting in streamlined program administration at the state and local level and the reduction of current duplication and inefficiency. This

change would build upon current law that allows up to 20 percent to be transferred between the Adult and Dislocated Worker funding streams. In the fiscal year 2003 budget request, the President requested the transfer limit be raised to 40 percent.



Currently, all Wagner-Peyser funds are retained at the state level. Fifteen percent of WIA Adult funds can be used for statewide activities, and up to 40 percent of WIA Dislocated Worker funds can be used for statewide activities and rapid response. Under this proposal, a new sub-state allocation methodology would need to be developed.

WIA reauthorization should include flexibility in the delivery of core, intensive and training services. Under this proposal, individuals would have the opportunity to receive the services that are most appropriate for their unique needs. The statute should make clear that an individual could access an array of services, any of which could be core, intensive or training. Concurrent delivery of services such as English as a Second Language and occupational training would also be specifically allowed.

Rather than increasing customer choice, the current eligible training provider provision requirements have had the reverse effect of reducing customer choice due to limited numbers of eligible training providers, since many have opted out of the burdensome system created under WIA. This reauthorization proposal would provide Governors the authority to determine what standards, information and data would be required for the eligible training providers in their state. Providing Governors with such authority would result in an improved eligible training provider system and ensure the

continuation of such key ideas as customer choice and provider accountability while making it easier for training providers to participate in the system.

This reauthorization proposal would transform Individual Training Accounts into Career Scholarships, a flexible and portable account that could be used for training services and other types of life-long learning opportunities. Career Scholarships would facilitate access to longer-term training consistent with needed skills and would leverage other public (such as Trade Act resources), private (employer paid) and individual training resources. Career Scholarships would be available to unemployed as well as certain groups of employed workers. WIA reauthorization should also establish authority to create Reemployment Accounts – special self-managed accounts for use by individuals who are out of work and who have been identified as very likely to exhaust their unemployment benefits. These accounts would allow individuals to more personally control their career pathway, provide an incentive for reducing their time collecting unemployment compensation and speed placement into an unsubsidized job that leads to self-sufficiency.

This reauthorization proposal should merge unexpended Welfare-to-Work grant funds into WIA and be earmarked for completion of training services for Welfare-to-Work participants. These services would be provided through the One-Stop system.

A Targeted Approach to Serving Youth

Currently, funds for the WIA Youth program are spread too thinly across the country due to the statutory formula and

lack of strategic direction. This WIA reauthorization proposal would reform current programs by focusing on out-of-



school youth through a Targeted State Formula program and Challenge Grants to cities and rural areas.

The Targeted State Formula program would be used at the local level to serve targeted categories of at-risk youth — specifically school dropouts, court-involved youth, and young people making the difficult transition from foster care into society. States would allocate these funds to local workforce investment areas identified as being particularly impacted.

Challenge Grants to cities and rural areas would be both competitive and

discretionary with funds going to areas experiencing unique youth development needs. Lessons learned from the Youth Opportunity Grant initiative and other demonstrations would be incorporated into the program design. Eligibility for services under these grants would be flexible, allowing local areas to implement programs targeted to address specific local needs. Grantees would need to demonstrate strong business partnerships, financial contributions from a variety of sources including the education and business communities, and inclusion of “best practices” as part of the program design.

Performance Accountability

Since the implementation of WIA, states and local areas have raised concerns about the seventeen statutory performance indicators under WIA Title I. The measures are perceived to be too numerous and overly burdensome. Through reauthorization, the number of WIA Title I performance indicators should be reduced from seventeen to eight. The eight indicators (4 for youth and 4 for adults) are currently being developed by the Federal partner agencies as part of the Office of Management and Budget (OMB) common measures initiative for employment and job training programs. The core set of measures would also have a common set of definitions and data sets. This would help to integrate service delivery through the One-Stop Career Centers at the local level. Governors would have the authority to add additional measures for use within their states.

The current performance negotiation process between states and the Department is too rigid and does not allow local

workforce investment areas to target the needs of special populations (such as ex-offenders or migrant and seasonal farmworkers). Through reauthorization, a more dynamic performance negotiation process should be designed that would take into account local labor market needs and the characteristics of individuals being served. Stronger language would be added to the statute to encourage all levels of the system to take a variety of factors into account when establishing levels of performance. Such factors could include differences in economic conditions, such as the rate of job creation or loss, and differences in participant characteristics, such as indicators of poor work history or welfare dependency.

Through WIA reauthorization, strong fiscal controls should be established at all levels of the system. An emphasis would be placed on data validation, monitoring and oversight in order to ensure appropriate use of federal funds. Prudent use of taxpayer dollars is a core principle.

- President Bush proposes to give states \$3.6 billion to promote Personal Reemployment Accounts for Americans who need the most help getting back to work.
- These funds will enable states to offer accounts of up to \$3000 each to eligible individuals to purchase job training and key services, such as child care and transportation, to help them look for a job and get back to work quickly. Recipients will be able to keep the balance of the account as a cash reemployment bonus if they become reemployed within 13 weeks.
- Personal Reemployment Accounts are a flexible new approach to giving the unemployed more control over their access to training and services and help them make a quick return to work. States will have considerable flexibility in designing the account program.
- President Bush's new program will allow states to serve at least 1.2 million Americans most in need of help getting back to work.

The Concept

- As part of the existing unemployment benefit program, all states identify individuals likely to exhaust unemployment benefits before becoming reemployed. States use factors such as prior employment in a declining industry, education level, and length of recent job tenure.
- States will have the option of offering Personal Reemployment Accounts to the following groups of unemployed workers:
 - New or existing unemployment beneficiaries who are identified as "somewhat to very likely to exhaust" unemployment benefits, and
 - Former UI claimants who have exhausted all their unemployment benefits within the three months prior to the effective date of the enactment of the program, and who meet one of the following criteria: (1) they are successfully in training and need extra support to complete training; or (2) they have worked in industries or occupations that are declining or no longer functioning in the local labor market (within the past 2 years). States will have the option of choosing additional targeting criteria.
- States will be able to target this flexible new benefit to those individuals most in need of help getting back to work by offering Personal Reemployment Accounts of up to \$3000, based on the specific conditions in each state.
- The accounts will give eligible unemployed workers the power to purchase training, supportive services (e.g., child care, transportation), and

intensive services (e.g., employment counseling, case management). The accounts will be administered through the One-Stop Career Center system and individuals will be given broad flexibility to purchase the services of their choosing, within broad limits to prevent abuse.

- In addition, states will have the option to allow eligible individuals who have exhausted all unemployment benefits upon enactment of the program to use account funds as income support, similar to unemployment benefits, until they become reemployed.
- If an account holder becomes reemployed within 13 weeks, he or she will be able to keep the remaining balance of the account as a reemployment bonus. For new unemployment benefit recipients, the 13 week period begins to run when they begin to receive unemployment compensation. For individuals who are already receiving unemployment benefits or have exhausted unemployment benefits, the 13 week period begins to run when they become eligible for the account. To encourage workers to stay on the job longer, the remaining balance will be paid in two installments (60% at employment and 40% after 6 months job retention).

Benefits of Reemployment Accounts

- Because account recipients can keep the balance of their accounts when they become reemployed quickly and stay employed, they create an incentive to get off unemployment benefits and back to work more quickly. The more quickly a job is obtained, the larger the reemployment bonus will be.
- The reemployment bonus also makes it easier for individuals to afford to make the transition to a new, more vibrant industry.
- Reemployment accounts also make it easier for individuals to take advantage of training and services to help them get back to work and give them more flexibility and personal choice of their services.
- The more quickly a job is attained, the shorter the period of unemployment benefit payments.

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Near-Term Actions

The President's proposals to help unemployed workers and states during the economic slowdown were substantially achieved with the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107-147, as amended) in March 2002.

- Temporary Extended Unemployment Compensation – Effective March 10, 2002, through May 31, 2003, up to 13 weeks of benefits are available to eligible individuals in all states (i.e., no state “triggers”) and up to an additional 13 weeks to eligible individuals in states with high and rising unemployment. These benefits are entirely federally financed.
- Special Reed Act Distribution – On March 13, 2002, states received \$8 billion in federal unemployment trust funds which can be used to expand benefits, enhance services to businesses and reemployment services to unemployed workers through One-Stop Career Centers, shore up low reserves in state trust funds, or allow a cut in employer payroll taxes.

Long-Term Reforms

Federal-State Extended Benefits (EB)

- The mandatory EB trigger would be lowered from 5.0% insured unemployment rate to 4.0%; more states would reach the trigger level and do so earlier in future recessions.
- The special federal requirements relating to eligibility of claimants for EB would be repealed; state law provisions regarding eligibility for regular compensation would apply to EB.

Federal Unemployment Tax Act (FUTA)

- Reduce the FUTA tax to 0.6% in January 2005, cutting taxes by 25%.
- Reduce the FUTA tax to 0.4% in 2007 and to 0.2% in 2009 and thereafter.
- Streamline FUTA forms and filing. A technical change to federal law will allow the IRS to simplify the federal unemployment tax form. (Under that change, the calculation of taxes due would take into account that all states assign rates of at least 5.4%.) In addition, FUTA and state unemployment quarterly tax reporting would be codified.
- The remaining 0.2% FUTA tax would be used to make federal loans available to



any state that runs out of funds to pay unemployment benefits or administrative costs, pay the federal share of EB, make state grants for

certain federal activities, and supplement administrative funding as necessary through the authorization period (FY 2014).

Administrative Funding

- Transfers primary responsibility for financing the administration of the unemployment insurance (UI) program from the federal government to state governments effective with the start of FY 2009, with a transition period for FYs 2004–2008.
- During the transition period, the federal government:
 - Continues to fund costs for FYs 2004–2006 for all states,
 - Transfers \$2.7 billion to states' accounts in the Unemployment Trust Fund in each of FYs 2007 and 2008; \$25 million per year minimum for each state, and
 - Shares costs for FY 2007 (provides 2/3 of FY 2005 levels adjusted for workload and inflation) and FY 2008 (provides 1/3 of FY 2005, adjusted).
- Provides hold_harmless funding in FYs 2009–2014.
 - For FY 2009, a state would receive the difference between its FY 2006 funding level, adjusted for inflation and UI workload, and estimated revenues from a 0.4% tax on a \$7,000 taxable wage base.
- For FYs 2010 through 2014, same as above, except that adjustment would be for UI workload only.
- Federal grants to states would continue for federal activities such as federal unemployment claims, required reports, and BLS statistical programs. UI national activities, which support the states collectively, such as the Interstate Connection (ICON) telecommunications network, would also continue.
- States could use their existing UI tax systems to fund UI administration or create a separate administrative tax, which could be deposited in the trust fund or not, as each state chooses.

Federal Role

- The federal government's role of monitoring conformity/compliance and state programs' performance would continue.
- Federal requirements related to prompt and proper payment of benefits, fair hearings, coverage of services, etc. would not change.

State Flexibility provisions include:

- Giving states access to the National Directory of New Hires for quick detection of individuals who have gone back to work but continue to collect UI.
 - Permitting states to pay for certain tax collection activities by maintaining compensating balances in the banks performing the activities.
 - Making technical changes so that states will follow state, rather than federal, requirements for Reed Act appropriations by state legislatures.
 - Clarifying that UI claimants are not required to present proof of citizenship in person when they claim benefits that include federal funds.
 - Allowing states greater flexibility in the use of proceeds from the sale of federal equity in real property.
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Miscellaneous provisions include:

- Prohibiting states from reducing benefits due to pension rollovers that are not deemed income for federal income tax purposes.
 - Repealing a provision that results in certain individuals performing federal service under contract being denied UI in cases where private sector (or state) workers performing the same services would be eligible.
 - Making technical changes to the Short Time Compensation program, which will allow states to continue operating these programs as they currently exist.
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Changes from 2002 proposal

- Continue federal funding for employment services – separate legislation would consolidate the Employment Service program with the Workforce Investment Act Adult and Dislocated Worker programs.
- Delay implementation of the entire package by 2 years to give time for economic recovery and restoration of balances in the federal trust fund accounts.
- Delay special Reed Act distributions by 3 years to align with transitional years of federal cost sharing.
- Reduce Reed Act distributions from \$3.5 to \$2.7 billion in FYs 2007 and 2008 to reflect continued federal funding for employment services through the new consolidated state grant.